GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:332
ANSWERED ON:03.02.2017
Priority Sector Lending
Hemamalini Smt.

Will the Minister of FINANCE be pleased to state:

(a) whether foreign banks have been exempted from mandatory priority sector lending;
(b) if so, the details thereof and the reasons thereof; and
(c) whether this exemption to foreign banks has impacted the availability of credit to priority and if so, the details thereof?

Answer

Minister of State in the Ministry of Finance

(a) to (c): Foreign banks are not exempt completely from priority sector lending. As per RBI's Master Directions on Priority Sector Lending-Targets and Classification dated July 07, 2016, foreign banks have been bifurcated into (i) foreign banks with more than 20 branches and (ii) foreign banks with less than 20 branches with regard to applicability of PSL guidelines.
Foreign banks with more than 20 branches have been considered at par with domestic scheduled banks in relation to priority sector lending guidelines. However, considering the peculiarity of foreign banks' business expertise and limited outreach and in order to ensure a level playing field, a calibrated approach has been devised for these banks with more than 20 branches wherein they have to achieve total PSL, agriculture, weaker sections targets within a maximum period of five years starting from April 01, 2013 and ending on March 31, 2018 as per the business plans submitted by them and approved by RBI. As regards sub-targets of Small & Marginal Farmers & Micro Enterprises, the same shall be applicable post 2018 after a review in 2017.
For foreign banks with less than 20 branches, total PSL target of 40 per cent is required to be achieved in a phased manner by 2020 .The sub-targets for these banks too shall be decided accordingly.
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